

PUBLIC WORKS COMMITTEE

DATE: April 5, 2007

CALLED TO ORDER: 5:01 p.m.

ADJOURNED: 6:28 p.m.

ATTENDANCE

ATTENDING MEMBERS

Lonnell Conley, Chairman
Patrice Abduallah
Ginny Cain
Scott Keller
Dane Mahern
Mary Moriarty Adams
Michael Speedy
Ryan Vaughn

ABSENT MEMBERS

Angela Mansfield

AGENDA

PROPOSAL NO. 161, 2007 - establishes that the City-County Council is interested in making the purchase of easements on real estate currently owned by Thomas Professional Building, Inc., which are necessary for the construction of sewers on the Bangor-Delaware Septic Tank Elimination Project

“Do Pass”

Vote 8-0

PROPOSAL NO. 162, 2007 - approves an appropriation of \$1,800,000 in the 2007 Budget of the Department of Public Works (Transportation General Fund) to restore funds used for snow fighting and street repair, including salt, asphalt and other supplies, plus snow removal contracts with private operators

“Do Pass”

Vote 8-0

PROPOSAL NO. 163, 2007 - approves an appropriation of \$30,000 in the 2007 Budget of the Department of Public Works (Non-Lapsing State Grants Fund) to collect and dispose of hazardous materials, particularly mercury, financed by a grant from the Indiana Department of Environmental Management

“Do Pass as Amended”

Vote 8-0

PROPOSAL NO. 164, 2007 - approves an appropriation of \$5,750,000 in the 2007 Budget of the Department of Public Works (Transportation General Fund) to begin Phase 1 construction of the downtown Cultural Trail, funded by a grant from the Central Indiana Community Foundation

“Do Pass”

Vote 8-0

PROPOSAL NO. 165, 2007 - approves an appropriation of \$2,400,000 in the 2007 Budget of the Department of Public Works (Non-Lapsing Federal Grants Fund) for the land acquisition phase of the Washington Street/Ohio Street/Market Street/I-65/I-70 interchange project, funded by a federal earmark of funds allocated to the State of Indiana

“Do Pass as Amended”

Vote 8-0

PROPOSAL NO. 166, 2007 - approves an appropriation of \$88,000 in the 2007 Budget of the Department of Public Works (Solid Waste Disposal Fund) for operation and maintenance of the Belmont Ash Monofil

“Do Pass”

Vote 8-0

PROPOSAL NO. 167, 2007 - approves an appropriation of \$5,750,000 in the 2007 Budget of the Department of Public Works (Stormwater Management Utility Fund) for stormwater related maintenance costs and for stormwater capital improvements set to bid in 2007

“Do Pass”

Vote 8-0

PROPOSAL NO. 168, 2007 - approves an appropriation of \$5,000,000 in the 2007 Budget of the Department of Public Works (Transportation General Fund) to reduce the backlog of requests for curb/sidewalk/ramp repairs and for street resurfacing projects

“Do Pass”

Vote 8-0

PROPOSAL NO. 169, 2007 - approves an appropriation of \$2,000,000 in the 2007 Budget of the Department of Public Works (Sanitation Liquid Waste Fund) for sewer related expenses in connection with the expansion of the Indianapolis International Airport and its impact on the Bridgeport Interceptor, financed by the Sanitation General Fund balance and \$1.1 million for sewer relocation expenses incurred in connection with work performed by the State for I-70 and I-465 reconstruction work, financed by reimbursements from the State of Indiana

“Do Pass as Amended”

Vote 8-0

PROPOSAL NO. 170, 2007 - authorizes certain actions and agreements related to the financing of the purchase of motor vehicle fuel for the Department of Public Works, Fleet Services Division

“Do Pass as Amended”

Vote 8-0

PROPOSAL NO. 171, 2007 - authorizes no parking restrictions on 20th Street from Luett Avenue to Tibbs Avenue (District 14)

“Do Pass”

Vote 8-0

PROPOSAL NO. 172, 2007 - authorizes no parking restrictions on Belmont Avenue and a multi-way stop at the intersection of 12th Street and Belmont (District 15)

“Do Pass”

Vote 8-0

PROPOSAL NO. 173, 2007 - authorizes parking meters and the relocation of a bus zone on Ohio Street near East Street (District 15)

“Do Pass as Amended”

Vote 8-0

PUBLIC WORKS COMMITTEE

The Public Works Committee of the City-County Council met on Thursday, April 5, 2007. Chair Lonnell Conley called the meeting to order at 5:01 p.m. with the following members present: Patrice Abdullah, Ginny Cain, Scott Keller, Dane Mahern, Mary Moriarty Adams, and Ryan Vaughn. Mike Speedy arrived shortly thereafter. Absent was Angela Mansfield.

PROPOSAL NO. 161, 2007 - establishes that the City-County Council is interested in making the purchase of easements on real estate currently owned by Thomas Professional Building, Inc., which are necessary for the construction of sewers on the Bangor-Delaware Septic Tank Elimination Project

Mickey Rogers, Executive Assistant, Department of Public Works (DPW), said that the state law dealing with the purchase of land using local funds has a mechanism whereas when an evaluation of over \$25,000 is made, the City-County Council has to approve its interest in purchasing. He said that the initial investigations to determine the easements that DPW requires for the construction of the sanitary sewer installation will exceed the \$25,000 amount, and therefore, will require the Council to indicate its interest in the purchase. Mr. Rogers said that once interest is established, DPW will proceed to obtain two appraisals and make an offer to the owner of the land based on the average of the two appraisals. He said that the needs of the land are approximately .053 acres of permanent easement and .078 acres of temporary easement. This is a construction project that will put approximately 700 homes served by septic tanks onto sanitary sewer easements. He said that the project is being built into two phases; one is the Bangor-Delaware Project and the other is the Forest Park-Southport Project. The Forest Park-Southport Project is already under construction. Mr. Rogers said that DPW is expecting to bid on the Bangor-Delaware Project this fall, which is needed to connect to a 30-inch interceptor that is near the intersection of Shelby Street and US 31. He said that DPW originally looked at another location that crossed a commercial property, but the cost of acquiring easements at that commercial property was prohibitive. He said that the purchase of the property owned by Thomas Professional Building is a more economical alternative and DPW already has permission from the Indiana Department of Transportation (INDOT) to connect at that location.

[Clerk's note: Councillor Speedy arrived at this time, 5:06 p.m.]

Councillor Abdullah asked for an explanation of the fiscal implications. Mr. Rogers said that the second appraisal has not been completed for the property. He said that it is known that the property evaluation is over \$25,000, but the total cost is anticipated to be under \$50,000. Mr. Rogers said that the owners have not been contacted and negotiations have not begun because approval has to be given by the Council prior to moving forward. Mr. Rogers said that the Council has to declare that there is an interest to purchase the property if it is anticipated to cost over \$25,000, but a particular amount to purchase does not need to be established before the declaration.

Councillor Mahern asked where the Bangor-Delaware area is located. Bob Masbaum, Administrator, DPW, said that the Bangor-Delaware project is on the west side of US 31, south of Southport Road and north of Shelby Street. Mr. Masbaum said that this is a general area, as

his information suggests that the above mentioned area picks up approximately 26 properties out of 700.

Councillor Speedy moved, seconded by Councillor Moriarty Adams, to forward Proposal No. 161, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 162, 2007 - approves an appropriation of \$1,800,000 in the 2007 Budget of the Department of Public Works (Transportation General Fund) to restore funds used for snow fighting and street repair, including salt, asphalt and other supplies, plus snow removal contracts with private operators

Michael Williams, Chief Financial Officer, DPW, said that this proposal is to add \$1.8 million back into DPW's 2007 budget. He said that \$1.5 million will go back into Character 02 and \$300,000 will go back into Character 03 for funds that were spent during the first two to three months of fighting snow and ice this year. He said that once the budget for those items is exhausted, funds are pulled from other parts of the budget such as, traffic activities or alley paving and patching.

Councillor Mahern asked how much was spent on snow removal this year compared to last year. John Chavez, Administrator of Maintenance Services, DPW, said that he does not have last year's numbers. Councillor Mahern asked if that information can be made available to the Council. Mr. Chavez answered in the affirmative.

Councillor Cain asked if the amount requested is coming from the Transportation General Fund. Mr. Williams answered in the affirmative. He said that DPW is currently generating a claim to FEMA for reimbursement of some of the costs. He said that that money will restore the Fund Balance once it is received, though an exact amount has not yet been determined, DPW is eligible for 75% of the cost.

Councillor Speedy asked if the \$1.8 million is money that has already been approved by the Council. Mr. Williams answered in the negative and stated that the appropriation increases DPW budget. Councillor Speedy asked what the difference is between Character 02 and Character 03. Mr. Williams said that Character 02 is supplies including salt and aggregate and Character 03 is contractual-type services.

Councillor Moriarty Adams moved, seconded by Councillor Abduallah, to forward Proposal No. 162, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 163, 2007 - approves an appropriation of \$30,000 in the 2007 Budget of the Department of Public Works (Non-Lapsing State Grants Fund) to collect and dispose of hazardous materials, particularly mercury, financed by a grant from the Indiana Department of Environmental Management

Mr. Williams said that the Indiana Department of Environmental Management (IDEM) has granted the City \$30,000 for being a Mercury Hub, which takes mercury from light bulbs and other sources and properly disposes of the items in the Office of Environmental Services (OES). He said that there needs to be a technical amendment to Section 5 of the proposal to reflect that there is a 50% local match required. The language currently states that there is no local match. Mr. Williams said that the local match amount is already budgeted in DPW's budget.

Councillor Moriarty Adams moved, seconded by Councillor Mahern, to amend Section 5 of Proposal 163, 2007 by striking out the word "no" and replacing it with the words "A 50%". The motion carried by a vote of 8-0.

Mr. Williams said that the total grant is \$30,000, but 75% is provided up-front and the other 25% is received when documentation that the program is complete is provided. Councillor Cain asked how the 50% match works. Richard Wise, Program Manager, DPW Office of Environmental Services, answered that DPW has a cash match of \$15,500 and an in-kind match of \$14,500.

Councillor Abdullah moved, seconded by Councillor Moriarty Adams, to forward Proposal No. 163, 2007 to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 164, 2007 - approves an appropriation of \$5,750,000 in the 2007 Budget of the Department of Public Works (Transportation General Fund) to begin Phase 1 construction of the downtown Cultural Trail, funded by a grant from the Central Indiana Community Foundation

David Cleaver, Assistant Administrator, DPW, said that the appropriation in Proposal No. 164, 2007 is part of a local grant contributed by the Central Indiana Community Foundation (CICF). He said that \$2 million was budgeted last year to start the design of the project. Since then, CICF announced the contribution of \$15 million by the Gene Glick family, by which construction will hopefully begin by May 1. Mr. Cleaver said that \$5.75 million includes the construction cost, the construction inspection cost, and continuing design and program management cost through the calendar year 2007. DPW pledged to have a positive cash flow and not to use any local funds at any time as this project moves forward, and with the cash flow provided by CICF, that has been made possible. He said that future year considerations for the project will probably entail some federal funding through the State of Indiana as part of transportation grants and surface transportation grants.

Councillor Mahern asked what area will be included in Phase I. Melanie Park, RWR Armstrong, Program Manager for the Cultural Trail, said that the first corridor that will be constructed this summer is from North Street to Market Street, on the east side of Alabama Street. Ms. Armstrong showed illustrations of the project to the Committee. She said that the first corridor will consist of 8 foot (ft.) of pedestrian area, 4 ft. of buffer area, 8 ft. of bicycle lane, and an additional 4 ft. buffer area for car doors to open. She said that they will create a visually appealing intersection that will make the vehicular traffic aware that it is a cultural trail crossing. Ms. Armstrong said that there are colors that match the Indianapolis Culture Trail identity and

will designate which crossing is for pedestrians versus bicyclists. She said that the intersection is also very beneficial for persons with disabilities and elderly individuals since there is less distance to cross from one intersection to another. Audible signals will also be available for the hearing impaired. It conforms to the Americans with Disabilities Act (ADA).

Councillor Plowman commented that this project, among many other projects of this type, is just the thing that will attract young, creative people to new jobs in Indianapolis for special areas such as Life Sciences.

Councillor Mahern asked if this project will entail installing some of the new parking meters. Carlton Ray, Deputy Director, DPW, said that DPW is looking at many different options. Councillor Mahern said that the installation of new meters will make a difference in the outlay of the project, as the scenery will look less cluttered if there is one meter for many parking spaces as opposed to the current one meter for each space. He said this will also provide an opportunity to complete two projects at once.

Councillor Speedy asked if the funds from CICF came from one wealthy individual in a single grant or are the funds from more than one source. Mr. Cleaver said that fundraising for the project began approximately four years ago and CICF has been collecting funds in the name of the project. He said that the largest donor was the Glick family with a \$15 million contribution, but he is unsure of the exact amount that is going toward the project. He said that Brian Payne, with CICF, could provide that information, if necessary.

Councillor Abdullah moved, seconded by Councillor Moriarty Adams, to forward Proposal No. 164, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 165, 2007 - approves an appropriation of \$2,400,000 in the 2007 Budget of the Department of Public Works (Non-Lapsing Federal Grants Fund) for the land acquisition phase of the Washington Street/Ohio Street/Market Street/I-65/I-70 interchange project, funded by a federal earmark of funds allocated to the State of Indiana

Mr. Cleaver stated that Section 1 of the proposal needed additional language. He said that in the fourth sentence after the word "acquisition" there should be a comma and the following words: "including utility relocation and railroad force account work." Mr. Cleaver said that this proposal comes from an earmark grant from Congress for this specific project. Nine hundred thousand dollars of the project is in Character 03 and involves the relocation of water and other utility lines in the project area. Character 04 includes approximately \$1 million of land acquisition and approximately \$500,000 for railroad force account work. He said that there are a large amount of bridges involved in the project and DPW will need the help of CSX Railroad during the construction of the project. Mr. Cleaver said that the construction is set to begin as early as this fall and involves major sewer work and Combined Sewer Overflows (CSO's) that are underneath the existing ramp on Market Street. He said that sanitary funds will also be used as part of the project to alleviate the CSO problem downtown, meet the terms of the consent decree and tie in to the long-term control plan.

Councillor Abdullallah asked what the MBE/WBE participation consists of for this program. Bill Chappell, Senior Project Engineer, DPW said that the federally funded design contract met the goals of ten and two and every time it was amended goals of 15 and 8 have been met. He said that the construction contract will meet the goals of 15 and 8 and the construction will be bid through INDOT and DPW will abide by their requirements. Councillor Abdullallah asked what INDOT's MBE/WBE requirements are. Mr. Ray answered that INDOT's rates are slightly lower than the City's. Chair Conley said that is something that may need to be looked at. Councillor Abdullallah said that he is concerned that INDOT does not have the same participation goals as the City and that the 15/8 goals will not be met on some of the contractual development in this project. He said that he recommends that there is something in writing insisting that the 15/8 goals be met before moving forward with the project. Mr. Ray said that participation of MBE/WBE has been increased on a number of the City's contracts, but he understands Councillor Abdullallah's issue and he agrees that more work needs to be put toward increasing INDOT's participation goals. Chair Conley said that he would like to speak to someone at INDOT to encourage them to increase their MBE/WBE participation.

Councillor Moriarty Adams moved, seconded by Councillor Speedy, to amend Proposal No. 165, 2007 to include the following words after the word "acquisition": ", including utility relocation and railroad force account work". The motion carried by a vote of 8-0.

Councillor Moriarty Adams moved, seconded by Councillor Mahern, to forward Proposal No. 165, 2007 to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 166, 2007 - approves an appropriation of \$88,000 in the 2007 Budget of the Department of Public Works (Solid Waste Disposal Fund) for operation and maintenance of the Belmont Ash Monofil

Mr. Williams said that this proposal increases the appropriation of the Solid Waste Disposal Fund. He said that the Belmont Ash Monofil is a resource recovery operation for the ash from the burn operation that was closed in the spring of 2000, but DPW is required by state law to perform routine maintenance and upkeep for the next 30 years. Mr. Williams said that the \$88,000 expense was inadvertently left out of the 2007 budget.

Councillor Moriarty Adams moved, seconded by Councillor Keller, to forward Proposal No. 166, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 167, 2007 - approves an appropriation of \$5,750,000 in the 2007 Budget of the Department of Public Works (Stormwater Management Utility Fund) for stormwater related maintenance costs and for stormwater capital improvements set to bid in 2007

Mr. Williams said that this proposal adds \$750,000 in the Operations Division in Character 03 for stormwater-related maintenance activities and \$5 million into the Engineering Budget in Character 04 for capital projects throughout the county. He said that this appropriation will

supplement some bond money that was approved early last year and help complete some of the backlog of projects.

Councillor Vaughn asked what the total budget is including the bond money and the cost to address the issues stated in this proposal. Mr. Williams answered that the bond money was approximately \$43 million, but some of that has been spent and this is an additional \$5 million. Mr. Cleaver said that the cost is approximately \$16 million to \$20 million for stormwater improvements for 2007. Councillor Vaughn asked if the approximately \$48 million is to cover improvements over a number of years. Mr. Cleaver answered in the affirmative.

Councillor Abdullah moved, seconded by Councillor Moriarty Adams, to forward Proposal No. 167, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 168, 2007 - approves an appropriation of \$5,000,000 in the 2007 Budget of the Department of Public Works (Transportation General Fund) to reduce the backlog of requests for curb/sidewalk/ramp repairs and for street resurfacing projects

Mr. Cleaver said that this appropriation puts \$5 million into the Engineering Budget in Character 04 for the addition of curbs, sidewalks, ramps and minor street resurfacing projects for the 2007 Capital Improvement Program. He said that DPW proposes this year to have the largest curb and sidewalk program ever in the history of Indianapolis where approximately \$5 million will be spent for the construction and inspection of new curbs and sidewalks throughout the county. Mr. Cleaver said that specific locations have been provided to the Councillors at the beginning of the planning efforts.

Councillor Cain asked if the project is for new curbs and sidewalks. Mr. Cleaver said that it is for the construction of existing curb and sidewalk projects. Mr. Ray said that there is a backlog of over \$50 million to \$100 million worth of old sidewalks that need to be repaired, but the repair consists of putting in new ones to replace the old.

Councillor Abdullah said that he is pleased that these projects are underway and commented that he hopes that the consideration of MBE/WBE participation will be addressed for these projects. Mr. Cleaver said that each of the construction projects will be bid locally and will meet or exceed the 15/8 goals of the MBE/WBE program. Councillor Abdullah said that he would also like to see some of the citizens that live within the community helping to rebuild the community.

Councillor Mahern asked DPW to continue to work on other sources of revenue to help with these types of projects as this is one of the areas that constantly falls behind because of the shortage of funds. He said that he is concerned about the well-being of some of the citizens.

Councillor Keller asked if the source of the funds is from the State of Indiana or the federal government, or if it is from the Fund Balance. Mr. Cleaver answered that it is from the Transportation General Fund Balance. Councillor Keller asked if the money in the fund is from property tax recovery. Mr. Cleaver answered that it is money from gas tax and is based on a

calculation of what is available in the Fund Balance. Councillor Keller asked what determines where the rebuilt curbs and sidewalks will be done. Mr. Ray said that the work is determined by prioritizing based upon the physical nature of the sidewalk or curb, ADA-related issues, and location such as a school or community facility. He said that there is a great need in the community, and it improves the quality of life in the neighborhoods.

Councillor Speedy asked if additional tasks can still be added to the current list of selected projects. Mr. Ray answered that the location can be looked at and if there is an already selected project near that location, it possibly can be incorporated. He stated, however, that the budget and programs are already set for this year.

Councillor Cain asked if this includes the toll road money that the county is receiving of \$5 million for this year and \$5 million for next year. Mr. Ray answered in the affirmative and stated that this appropriation is incorporated with the money from Major Moves.

Councillor Moriarty Adams moved, seconded by Councillor Abdullah, to forward Proposal No. 168, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 169, 2007 - approves an appropriation of \$2,000,000 in the 2007 Budget of the Department of Public Works (Sanitation Liquid Waste Fund) for sewer related expenses in connection with the expansion of the Indianapolis International Airport and its impact on the Bridgeport Interceptor, financed by the Sanitation General Fund balance and \$1.1 million for sewer relocation expenses incurred in connection with work performed by the State for I-70 and I-465 reconstruction work, financed by reimbursements from the State of Indiana

Mr. Cleaver said that Section 1 of this ordinance should have all words deleted after the word "for" at the end of paragraph 3 and should read as follows: "To provide for expenditures the necessity for which has arisen since the adoption of the annual budget, Section 1.01 (j) of the City-County Annual Budget for 2007 be, and is hereby, amended by the increases and reductions hereinafter stated for purposes of the Department of Public Works for sewer related expenses in connection with the expansion of the Indianapolis International Airport and its impact on the Bridgeport Interceptor, financed by the Sanitation General Fund balance and \$1.1 million for sewer relocation expenses incurred in connection with work performed by the State for I-70 and I-465 reconstruction work, financed by reimbursements from the State of Indiana."

Councillor Moriarty Adams moved, seconded by Councillor Abdullah, to amend Proposal No. 169, 2007 with the above mentioned language. The motion carried by a vote of 8-0.

Mr. Cleaver said that there are a number of interesting activities within this appropriation from the Sanitation General Fund Balance. He said that the first project is the upgrade to the Bridgeport Interceptor due to the Midfield Terminal project. This work was turned into an agreement with the Indianapolis International Airport (IIA) to fund all increases above \$1.64 million. Mr. Cleaver said that this ordinance involves an appropriation of \$900,000 for the 2006 reimbursement to IIA. He said that the agreement states that the City will make four yearly installments, with the remaining two payments due the beginning of 2008 and 2009. Mr.

Cleaver said that the additional \$1.1 million is to perform sanitary sewer relocations with regard to the work that is being performed on the Super 70 project, US 40 on the east side, and possibly north on I-465 on the west side. He said that he may be coming before the Committee again as some estimates have indicated that it may cost more than \$1.1 million. However, this amount will cover the 2004 balance to complete the projects and the state is reimbursing 100% of the \$1.1 million to be returned to the Sanitation General Fund Balance.

Councillor Abdullallah moved, seconded by Councillor Moriarty Adams, to forward Proposal No. 169, 2007 to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 8-0.

PROPOSAL NO. 170, 2007 - authorizes certain actions and agreements related to the financing of the purchase of motor vehicle fuel for the Department of Public Works, Fleet Services Division

Katie Aeschliman, Senior Project Manager, Bond Bank, distributed a handout (Exhibit A) with the following key points:

- City of Indianapolis Fuel Consumption
 - The City budgeted \$10.43 million for the purpose of purchasing gasoline and diesel fuel in 2007
 - City Fleet services provides fuel to numerous agencies
 - City and County
 - Sheriff, Indianapolis Metropolitan Police Department (IMPD), DPW, Department of Metropolitan Development (DMD), Department of Public Works (DPR)
 - Non city and county agencies
 - Indianapolis Marion County Building Authority, Health and Hospital, Town of Speedway, Homecroft Police Department, Franklin Fire Department
 - The City has two types of gasoline and diesel fuel purchases
 - Bulk and Commercial Fuel
 - Bulk Fuel
 - Seventy two percent of annual budget – 3.4 million gallons
 - Contract with Crystal Flash
 - Based on the Oil Price Information System (OPIS) spot, or price on the day of ordering plus a spread
 - Fills largest tanks at four primary locations managed by Indianapolis Fleet Services (IFS)
 - Riverside, Belmont, Sherman, West Street
 - Vehicles pump at city owned station
 - Commercial Fuel
 - Twenty eight percent of annual budget – 1.3 million gallons
 - Contract with Speedway SuperAmerica, LLC
 - Based on OPIS plus a spread
 - City agencies (DPW and IFD)

- County agencies (IMPD)
 - Other
 - Wishard, surrounding local Township Police and Fire Department vehicles
 - Vehicles pump at Speedway gas stations
- City of Indianapolis Fuel Hedge – The need for budget stability
 - Volatility in fuel market leaves the city and its budget vulnerable to swings in prices of these commodities
 - How do we protect the budget?
 - Financial Hedge
 - Provides the city with a guaranteed price of fuel through a financial swap with a counterparty.
 - Physical Delivery
 - Does not change
 - Existing Crystal Flash and Speedway contracts
- Fuel Hedge program – the future
 - The City of Indianapolis and its customers are quite possibly the largest consumer of gasoline and diesel fuel, among local municipalities, in the State of Indiana.
 - Many other municipalities are currently hedging natural gas
 - Ft. Wayne
 - Allen County
 - School Corporations
 - This transaction is financial
 - Similar to interest rate swaps we already have in place
- Fuel Hedge – the mechanics
 - Completely exposed to volatility in prices in the fuel market
 - Currently, Fleet Services calls Crystal Flash when gas is needed, then payment comes from the supply budget line item in Character 02 and the gas is delivered
 - Price on day of order is price paid
 - The Bond Bank will contract and sign a counterparty agreement with the financial counterparty.
 - A fixed price will be negotiated with the financial counterparty
 - Example: if the spot price is more than the negotiated price, the difference will be paid to the City and vice versa
 - The Bond Bank will establish a Fuel Hedge Reserve account to offset gains/losses on financial position.
 - Fleet services and the City will fund the startup of the Hedge reserve from the existing fuel budget.
 - Periodically, an evaluation of the reserve fund will be done.

Councillor Cain asked what the advantage is for the financial counterparty. Ms. Aeschliman said that the counterparty will enter into another hedge to offset the hedge that they have with the City, as the market is infinite.

Councillor Vaughn asked how often the contracts and negotiated prices will be revisited. Ms. Aeschliman answered that it depends on the market conditions, but it could be monthly, bi-monthly, or quarterly.

Presentation continued –

- Proposal 170, 2007
 - Authorizes the City to enter into an agreement with the Bond Bank to hedge the City's gasoline and diesel fuel budget.
 - Agreement similar to bond issues
 - Qualified entities (QE) Fuel Hedge Reserve Agreement
 - Estimate reserve fund to be \$400,000
 - Start-up of fund
 - Held at the Bond Bank level
 - Entity that is contracting with counterparty, so money needs to come from this agency
 - Experienced in handling these types of transactions
 - Provides budget stabilization
- Mechanics
 - Depending on Market conditions and analysis
 - Bond Bank could transact with one or more counterparties
 - Monthly, bi-monthly, 90-day contracts
 - Indianapolis Bond Bank has contracted with Maverick Energy Consulting
 - Specialize in fuel, heating oil, natural gas, etc. hedges
- Financial counterparty selection process
 - Bond Bank issued Request for Proposals (RFP) for counterparty – February 23
 - Ten banks and/or fuel suppliers received an RFP to provide the hedge agreement.
 - Bond Bank receives Proposals from seven of ten potential counterparties March 9
 - Working group reviewed and evaluated respondents
 - Week of March 19 through present
 - Bond Bank is currently pursuing the necessary approvals in order to transact with counterparty.
 - May be more than one counterparty
 - Depends on market conditions and pricing
- Timeline
 - Bond Bank issues RFP for counterparty – February 23
 - Bond Bank receives and evaluates proposals – March 9 to April 16
 - Board of Public Works consideration and approval – March 14
 - City-County Council – Final adoption consideration April 16
 - Bond Bank Board of Directors approval – April 16
 - Executive swap agreement/trade with Financial Counterparty – week of April 16
 - City fuel budget hedging begins!

[Clerk's note: A full printout of Exhibit A is on file in the Council Office with the original set of minutes.]

Councillor Speedy asked if there is an objective standard of volatility that makes hedges more valuable and asked if the hedges can be terminated if the future reveals less volatility. Ms. Aeschliman answered that it is a possibility, as one of the functions of the consulting company, Maverick, is to examine the market daily. She said that there are risks associated with hedging, but it is the opinion of the Bond Bank that there is a greater risk if the budget is not hedged. She said that this transaction is simply to provide stability and decrease the City's exposure. Councillor Speedy asked how the City will know if conditions change. Ms. Aeschliman said that with Maverick's reports, the contract allows the Bond Bank to end the contract at any point that they feel that the City is not benefiting from the hedge. She said that Maverick is paid a flat consulting fee, which is not determined by whether the city trades with the counterparty, and if the City does not enter into the agreement, Maverick is no longer the City's consultant.

Councillor Keller asked what the cost is for the stability. Ms. Aeschliman answered that the start-up costs are higher than the costs will be further into the program. She said that the costs are currently being incurred by the Bond Bank and negotiations and discussions with the City will determine how the Bond Bank is paid. Ms. Aeschliman said that if the program is more expensive than what the City currently receives at value, the Bond Bank will not enter into the hedge program. Councillor Keller asked if the trade-off numbers are public information. Ms. Aeschliman answered in the affirmative and stated that she can provide the costs to the Committee once it has been determined.

Councillor Speedy said that it is important to have timeframes and periods to re-evaluate programs. Ms. Aeschliman said that is a valid point and re-evaluation times will be set, and she is simply unsure at this point what those times will be. She said that is one of the areas on which Maverick will consult the Bond Bank.

Councillor Mahern said that every year more fuel money is requested from the Council, which shows the instability of the market. He said that he likes that this program will give more stability to decrease the chances of being over budget or having to take from other areas within DPW. Councillor Mahern said that he understands the concerns, but he feels that this program will alleviate the inconsistencies that currently determine how fuel is paid.

Councillor Moriarty Adams asked if other cities or states have done this type of hedge program. Ms. Aeschliman answered that there are no other Indiana cities, but some municipalities are doing hedge programs for natural gas and some cities and states issue bonds for pre-sale or pre-purchase of fuel. She said that this is the first from a financial swap perspective, but there is a market for it.

Councillor Mahern asked if money from the charge-backs of fuel have been received from the county and city agencies. Pat Carroll, Deputy Director of Maintenance Services, DPW, answered in the affirmative and stated that the majority of the agencies are up-to-date.

Bob Clifford, City Controller, said that the Bond Bank is looking into this type of program at his request. He said that additional appropriations for fuel have been made over the last three years and though budgeting has increased, it still is not high enough to cover the costs. Mr. Clifford

said that last year Councillor Keller suggested that a future delivery contract for fuel be obtained to ensure staying within the budget, but it was discovered that it is a small business that offers a commodity and those companies are not willing to promise a fixed price. That is why the Bond Bank had to turn to the financial market. Mr. Clifford said that the City is in a really tight budget position and he is hoping that this program will ensure that the City can buy fuel to keep all of the Police vehicles, DPW trucks, and Parks vehicles running without reducing operations. He said that the program may not work and it is not being done for savings, but it is more of an insurance product to reduce the need for additional appropriations. Mr. Clifford said that the fuel budget has increased from approximately \$7 million to approximately \$10 million within three years.

Councillor Speedy commented that the ordinance does not have an expiration date and asked if the authorization requested will need to be approved each year. Ms. Clifford said that he did not realize that there was not a time limit on the request and stated that it would be appropriate for the Council to request that the Bond Bank return with a review of the program within a specified time. Councillor Speedy said that he would like to amend the proposal to include an expiration date for re-evaluation of the program. Ms. Aeschliman suggested that the authorization expire December 31, 2008 in order to provide the Controller's Office the tools to put together a feasible budget.

Councillor Speedy moved, seconded by Councillor Keller, to amend Proposal No. 170, 2007 to add the words "until December 31, 2008" after the word "Division" in the digest and to add the words ", thru December 31, 2008" to the end of the paragraph in Section 1. The motion carried by a vote of 8-0.

Councillor Speedy moved, seconded by Councillor Moriarty Adams, to forward Proposal No. 170, 2007 to the full Council with a "Do Pass as Amended" recommendation. The motion carried by a vote of 8-0.

Chair Conley asked for consent to hear Proposal Nos. 171, 172, and 173, 2007 together. Consent was given.

PROPOSAL NO. 171, 2007 - authorizes no parking restrictions on 20th Street from Luett Avenue to Tibbs Avenue (District 14)

PROPOSAL NO. 172, 2007 - authorizes no parking restrictions on Belmont Avenue and a multi-way stop at the intersection of 12th Street and Belmont (District 15)

PROPOSAL NO. 173, 2007 - authorizes parking meters and the relocation of a bus zone on Ohio Street near East Street (District 15)

Nathan Sheets, Senior Project Manager, DPW, said that the digest of Proposal No. 173, 2007 should read near Alabama Street instead of East Street.

Councillor Mahern moved, seconded by Councillor Moriarty Adams, to amend the digest of Proposal No. 173, 2007 by striking the word “East” and replacing it with the word “Alabama”. The motion carried by a vote of 8-0.

Councillor Moriarty Adams moved, seconded by Councillor Mahern, to forward Proposal Nos. 171 and 172, 2003 to the full Council with a “Do Pass” recommendation and to forward Proposal No. 173, 2003 to the full Council with a “Do Pass as Amended” recommendation. The motion carried by a vote of 8-0.

Conclusion

With no further business pending, and upon motion duly made, the Public Works Committee of the City-County Council was adjourned at 6:28 p.m.

Respectfully Submitted,

Lonnell Conley, Chair

LC/nsm